

CITY OF CLARKSVILLE, IOWA

INDEPENDENT ACCOUNTANT'S REPORT  
ON APPLYING AGREED-UPON PROCEDURES

FOR THE PERIOD  
JULY 1, 2013 THROUGH JUNE 30, 2014

- Prepared By -

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CITY OF CLARKSVILLE, IOWA

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**CITY OF CLARKSVILLE, IOWA**

**OFFICIALS**

**(Before January 2014)**

<b><u>NAME</u></b>	<b><u>TITLE</u></b>	<b><u>TERM EXPIRES</u></b>
David Kelm	Mayor	January 2014
Jeff Kolb	Mayor Pro tem	January 2016
Cathy Cummings	Council Member	January 2014
Mike Miller	Council Member	January 2014
Diane Renning	Council Member	January 2014
Val Swinton	Council Member	January 2016
Larry Betts	Clerk/Treasurer	Indefinite
Luke Guthric	Attorney	Indefinite

**(After January 2014)**

David Kelm	Mayor	January 2016
Jeff Kolb	Mayor Pro tem	January 2016
Val Swinton	Council Member	January 2016
Cathy Cummings	Council Member	January 2018
Diane Renning	Council Member	January 2018
Travis Sterken	Council Member	January 2018
Larry Betts	Clerk/Treasurer	Indefinite
Luke Guthric	Attorney	Indefinite



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**INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES**

To the Honorable Mayor and  
Members of the City Council:

I have performed an agreed-upon procedures engagement of the City of Clarksville, Iowa pursuant to Chapter 11.6 of the Code of Iowa enacted by the Iowa Legislature to provide certain minimum oversight of Iowa cities. Accordingly, I have applied certain tests and procedures to selected accounting records and related information of the City of Clarksville for the period July 1, 2013 through June 30, 2014. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards for attestation engagements contained in Government Auditing Standards, issued by the Comptroller General of the United States.

The procedures I performed are summarized as follows:

1. I reviewed selected City Council meeting minutes for compliance with Chapters 21, 372.13(6) and 380 of the Code of Iowa.
2. I reviewed the City's internal controls to determine if proper control procedures are in place and incompatible duties, from a control standpoint, are not performed by the same employee.
3. I reviewed surety bond coverage for compliance with Chapter 64 of the Code of Iowa.
4. I obtained and reviewed the City Clerk's financial reports and selected bank reconciliations to determine whether the bank balances properly reconciled to the general ledger account balances and monthly financial reports provided to the City Council.
5. I reviewed City funds for consistency with the City Finance Committee's recommended Uniform Chart of Accounts (COA) and to determine required funds and fund balances are properly maintained and accurately accounted for.
6. I reviewed the City's fiscal year 2014 Annual Financial Report to determine whether it was completed and accurately reflects the City's financial information.
7. I reviewed investments to determine compliance with Chapter 12B of the Code of Iowa.
8. I reviewed compliance with Chapters 12C.2, 12B.10B and 556.1(12) of the Code of Iowa pertaining to required depository resolutions, investment policy and reporting of unclaimed property to the State of Iowa.
9. I reviewed debt, including general obligation and revenue bonds/notes, and related transactions for proper authorization and compliance with Chapters 75, 384 and 403.9 of the Code of Iowa and to determine whether the debt and related proceeds and repayments were properly accounted for.
10. I reviewed and tested selected receipts for accurate accounting and consistency with the recommended COA.

11. I reviewed and tested selected disbursements for proper approval, adequate supporting documentation, accurate accounting and consistency with the recommended COA and compliance with the public purpose criteria established by Article III, Section 31 of the Constitution of the State of Iowa.
12. I reviewed transfers between funds for propriety, proper authorization and accurate accounting.
13. I reviewed and tested selected payroll and related transactions for propriety, proper authorization and accurate accounting.
14. I reviewed the annual certified budget for proper authorization, certification and timely amendment.

Based on the performance of the procedures described above, I identified various recommendations for the City. My recommendations are described in the Detailed Recommendations section of this report. Unless reported in the Detailed Recommendations, items of non-compliance were not noted during the performance of the specific procedures listed above.

I was not engaged to and did not conduct an audit of the City of Clarksville, the objective of which is the expression of opinions on the City's financial statements. Accordingly, I do not express opinions on the City's financial statements. Had I performed additional procedures, or had I performed an audit of the City of Clarksville, additional matters might have come to my attention that would have been reported to you.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Clarksville and other parties to whom the City of Clarksville may report. This report is not intended to be and should not be used by anyone other than these specified parties.

I would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Clarksville during the course of my agreed-upon procedures. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.

A handwritten signature in black ink, appearing to read "Larry Pump". The signature is written in a cursive, flowing style.

Charles City, Iowa  
December 11, 2014

## Detailed Recommendations

**CITY OF CLARKSVILLE, IOWA  
DETAILED RECOMMENDATIONS  
FOR THE PERIOD JULY 1, 2013 THROUGH JUNE 30, 2014**

- (A) Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Generally, one individual has control over each of the following areas for the City:

- (1) Cash - handling, reconciling and recording.
- (2) Receipts - opening mail, collecting, depositing, journalizing, reconciling and posting.
- (3) Disbursements - purchasing, invoice processing, check writing, mailing, reconciling and recording.
- (4) Payroll - recordkeeping, preparing and distributing.
- (5) Utilities - billing, collecting, depositing and posting.
- (6) Financial reporting - preparing and reconciling.
- (7) Journal entries - preparing and journalizing.

Recommendation - I realize segregation of duties is difficult with a limited number of employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials. Independent reviews of reconciliations should be documented by the signature or initials of the reviewer and the date of the review.

- (B) Post-dated Checks - I noted several checks that cleared the City's bank account prior to the date the check was issued.

Recommendation - The City should avoid the use of post-dating checks.

- (C) Certified Budget - Disbursements during the year ended June 30, 2014 exceeded the amount budgeted in the community and economic development function. Chapter 384.20 of the Code of Iowa states, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation."

Recommendation - The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

- (D) Financial Condition - The Employee Benefits Fund, 2014 Tornado Recovery Fund and 2010 Disaster Recovery Fund had deficit balances of \$718, \$23,710 and \$78,935, respectively, at June 30, 2014.

Recommendation - The City should investigate alternatives to eliminate these deficits in order to return these funds to a sound financial condition.

- (E) Management Financial Information - The Clerk's financial reports to the City Council did not include a summary of beginning balance, receipts, disbursements, transfers and ending balance by fund.

Recommendation - For better financial information, the monthly reports should include the beginning balance, receipts, disbursements, transfers and ending balance for each fund.

**CITY OF CLARKSVILLE, IOWA  
DETAILED RECOMMENDATIONS  
FOR THE PERIOD JULY 1, 2013 THROUGH JUNE 30, 2014**

- (F) Annual Financial Report - The 2014 Annual Financial Report overstated receipts and disbursements in the general fund by \$870. Also, disbursements in the proprietary funds were overstated by \$51, understating the total ending fund balance by \$51.

Recommendation - The City should ensure all receipts and disbursements are reported accurately on the Annual Financial Report by reconciling all totals to the City's financial reports. An independent person should review the report for accuracy.

- (G) Receipts Register - The June 2014 receipts register did not reconcile to the bank statement deposits.

Recommendation - The City should establish procedures to ensure that the monthly receipts register from the general ledger system equals bank statement deposits.

- (H) Expenditure Monthly Report - Due to an account coding error (coded as an inactive account), the Expenditure Monthly Report does not include all expenses.

Recommendation - The City should establish procedures to ensure computer generated reports are accurate.

- (I) Electronic Check Retention - Chapter 554D.114 of the Code of Iowa allows the City to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The City retains cancelled checks through electronic image, but does not obtain an image of the back of each cancelled check as required.

Recommendation - The City should obtain and retain images of both the front and back of cancelled checks as required by Chapter 554D.114 of the Code of Iowa.

- (J) Reconciliation of Utility Billings, Collections and Delinquent Accounts - Utility billings, collections and delinquent accounts were not reconciled throughout the year.

Recommendation - Procedures should be established to reconcile utility billings, collections and delinquent accounts for each billing period. The City Council or other independent person designated by the City Council should review the reconciliations, document their review and monitor delinquent accounts.

- (K) Emergency Levy - I noted that the proceeds from the Emergency Levy were recorded in the General Fund.

Recommendation - The City should deposit the funds directly into the Special Revenue, Emergency Levy Fund for better accountability of the tax levy proceeds.